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General Chapters:

1 **A Guide to Conducting an Action Before the Unified Patent Court** – Katharine Stephens, Bird & Bird LLP 1

2 **At the Intersection of U.S. Patent Laws and Autonomous Vehicles: A Look at Patent Eligibility and Claim Indefiniteness** – Corey M. Beaubien & Jeffrey L. Doyle, Reising Ethington P.C. 8

3 **Gulf Cooperation Council Countries – Patent Landscape** – Sara Holder & Mohammad Jomoa, Rouse & Co. International/Kadasa & Partners 12

4 **U.S. Supreme Court Reaffirms Flexible Analysis for Enhanced Damages in U.S. Patent Cases** – D. Stuart Bartow, Paul Hastings LLP 15

Country Question and Answer Chapters:

5	**Austria**	Fiebinger Polak Leon Attorneys-at-Law: DDr. Karina Hellbert, LL.M.	19
6	**Brazil**	Daniel Advogados: Rana Gosain & André Bastos Venturini	25
7	**Chile**	PORZIO · RIOS · GARCIA: Cristóbal Porzio & Marcelo Correa	33
8	**China**	Lifang & Partners: Xie Guanbin & Sun Xi	39
9	**France**	Armengaud & Guerlain: Catherine Mateu	46
10	**Germany**	Kather Augenstein: Dr. Christof Augenstein & Christopher Weber	53
11	**Greece**	Patrinos & Kilimiris: Constantinos Kilimiris & Tassos Kilimiris	59
12	**India**	Subramaniam & Associates: Hari Subramaniam	65
13	**Ireland**	WhitneyMoore Solicitors: Aoife Murphy & Robin Hayes	73
14	**Japan**	Anderson Mōri & Tomotsune: Yasufumi Shiroyama & Makoto Ono	80
15	**Malaysia**	Tay & Partners: Lin Li Lee & Kah Yee Chong	87
16	**Mexico**	OLIVARES: Alejandro Luna & Sergio L. Olivares, Jr.	94
17	**Norway**	Wikborg Rein: Ingvild Hanssen-Bauer & Lars Erik Steinkjer	102
18	**Philippines**	SyCip Salazar Hernandez & Gatmaitan: Enrique T. Manuel & Vida M. Panganiban-Alindogan	108
19	**Russia**	PwC Legal: Konstantin Bochkarev	114
20	**Saudi Arabia**	Rouse & Co. International/Kadasa & Partners: Sara Holder & Mohammad Jomoa	119
21	**South Africa**	Adams & Adams: Alexis Apostolidis & Sophia Czarnocki	125
22	**Spain**	Elzaburu: Colm Ahern	132
23	**Sweden**	Synch Advokat AB: David Leffler & Elisabeth Sundberg	137
24	**Taiwan**	TIPLO Attorneys-at-Law: J. K. Lin & H. G. Chen	143
25	**Thailand**	Tilleke & Gibbins: Nandana Indananda & Siraprapha Rungpry	151
26	**Turkey**	Gün + Partners: Selin Sinem Erciyas & Filiz Toprak Esin	157
27	**Ukraine**	Gorodissky & Partners (Ukraine): Nina Moshynska	164
28	**United Arab Emirates**	Rouse & Co. International: Sara Holder	171
29	**United Kingdom**	Bird & Bird LLP: Katharine Stephens & Audrey Horton	176
30	**USA**	Kirkland & Ellis LLP/SpencePC: Eugene Goryunov & William Cory Spence	185
31	**Vietnam**	Pham & Associates: Pham Vu Khanh Toan	192

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Chapter 18

Philippines

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1 Patent Enforcement

1.1 Before what tribunals can a patent be enforced against an infringer? Is there a choice between tribunals and what would influence a claimant's choice?

Patents are enforced against an infringer either through a civil action before the Regional Trial Court ("RTC") or an administrative action before the Bureau of Legal Affairs ("BLA") of the Intellectual Property Office of the Philippines ("IPOPHL"). The factors that usually influence a claimant's choice are cost and time considerations.

1.2 What has to be done to commence proceedings, what court fees have to be paid and how long does it generally take for proceedings to reach trial from commencement?

In the RTC, proceedings are commenced by the filing of the complaint, payment of the necessary filing fees and the service of summons on the defendant. Upon receipt of the summons, the respondent may file either a Motion to Dismiss, or an Answer, setting out the defendant's affirmative and/or negative defences including any counterclaims. The case is then set for a pre-trial conference, where the parties, among others, discuss the possibility of settlement or the referral of the case to alternative models of dispute resolution, proposed stipulation of facts, issues to be resolved, and documents and witnesses to be presented at trial. It may take anywhere from six to 12 months from the filing of the complaint for the case to reach proper trial in court.

The pre-trial procedural stages in the BLA are substantially similar to those before the RTC. However, since the proceedings in the BLA are administrative in nature and not strictly governed by technical rules of procedure and evidence, it usually takes five to seven months from the filing of the complaint for the case to reach trial in the BLA.

1.3 Can a party be compelled to disclose relevant documents or materials to its adversary either before or after commencing proceedings, and if so, how?

Upon motion of any party showing good cause therefor, the court in which an action is pending may: (a) order any party to produce and permit the inspection and copying or photographing, by or on behalf of the moving party, of any designated documents, papers, books, accounts, letters, photographs, objects or tangible things, not privileged, which constitute or contain evidence material to any matter involved in the action and which are in his possession, custody or control; or (b) order any party to permit entry upon designated land or other property in his possession or control for the purpose of inspecting, measuring, surveying, or photographing the property or any designated relevant object or operation thereon. The order shall specify the time, place and manner of making the inspection and taking copies and photographs, and may prescribe such terms and conditions as are just.

1.4 What are the steps each party must take pre-trial? Is any technical evidence produced, and if so, how?

Parties are required to file their respective pre-trial briefs with the RTC or the BLA (and serve a copy thereof on the other party) at least three days before the date of pre-trial stated in the notice of pre-trial. The pre-trial brief must include, among other things, a summary of admitted facts and proposed stipulation of facts, the issues to be resolved, the documents or exhibits to be presented at trial, including a statement of their purpose(s), the number and names of witnesses to be presented at trial, and an abstract or summary of their testimonies. The originals of the documentary evidence must be produced for comparison and marking. An abstract or summary of the witnesses' testimonies must be stated in the pre-trial brief.

1.5 How are arguments and evidence presented at the trial? Can a party change its pleaded arguments before and/or at trial?

In the RTC, a party presents his evidence at the trial by calling his witness to be examined in open court, and under oath or affirmation. The order in which an individual witness may be examined is as follows: (a) direct examination by the proponent; (b) cross-examination by the opponent; (c) re-direct examination by the proponent; and (d) re-cross-examination by the opponent. The party presenting a witness must make a formal offer of the witness's testimonial evidence at the time the witness is called to testify. Documentary and object evidence are offered after the presentation of a party's testimonial evidence. Upon admission of the evidence, the case shall be deemed submitted for decision, unless the RTC directs the parties to argue or to submit their respective memoranda or any further pleadings.

The trial procedure followed in the BLA is very similar to that in the RTC.

A party may amend his pleading once as a matter of right at any time before a responsive pleading is served. Substantial amendments

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may be made only upon leave of court. But such leave may be refused if it appears to the court that the motion was made with intent to delay.

When issues not raised by the pleadings are tried with the express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure to amend does not affect the result of the trial of these issues. If evidence is objected to at the trial on the grounds that it is not within the issues made by the pleadings, the court may allow the pleadings to be amended and shall do so with liberality if the presentation of the merits of the action and the ends of substantial justice will be sub-served thereby.

1.6 How long does the trial generally last and how long is it before a judgment is made available?

The length of the proceedings depends on a variety of factors, including the complexity of the legal and technical issues involved, the number of witnesses to be presented, the number of postponements of trial sought by the parties, as well as the caseload of the RTC and/or BLA handling the case. It may take as long as three to five years (from the filing of the complaint) before a decision is issued by the RTC. Administrative proceedings in the BLA usually take around one to three years from the filing of the complaint for a case to be resolved on the merits.

1.7 Are there specialist judges or hearing officers, and if so, do they have a technical background?

There are RTCs designated as Special Commercial Courts which try and decide commercial cases, including cases involving violations of intellectual property rights. Judges in these Special Commercial Courts do not always have technical backgrounds. However, the court may appoint two or more assessors, possessing the necessary scientific and technical knowledge to assist the court during trial. Most Hearing Officers in the BLA likewise do not have a technical background.

1.8 What interest must a party have to bring (i) infringement, (ii) revocation, and (iii) declaratory proceedings?

(i) The plaintiff in an infringement case must be a patentee, or anyone possessing any right, title, or interest in and to the patented invention, whose rights have been infringed.

(ii) The petitioner in a cancellation proceeding may be any interested person.

(iii) The IP Code and regulations currently do not provide for procedures where a person aggrieved of threats of infringement proceedings may seek a declaration of non-infringement or invalidity of a patent (independently of an infringement suit). There is a procedure for declaratory relief under the Philippine Rules of Court, but this appears to have never been tested or applied with respect to a patent right.

1.9 If declarations are available, can they address (i) non-infringement, and/or (ii) claim coverage over a technical standard or hypothetical activity?

Yes, through the various modes of Discovery provided in the Philippine Rules of Court. These include the taking and use of depositions, interrogatories to parties, requests for admission, production or inspection of documents or things, and physical and mental examination of persons.

1.10 Can a party be liable for infringement as a secondary (as opposed to primary) infringer? Can a party infringe by supplying part of, but not all of, the infringing product or process?

Yes. Under the IP Code, anyone who actively induces the infringement of a patent or provides the infringer with a component of a patented product or of a product produced because of a patented process, knowing it to be especially adopted for infringing the patented invention and not suitable for substantial non-infringing use, shall be liable as a contributory infringer and shall be jointly and severally liable with the infringer.

1.11 Can a party be liable for infringement of a process patent by importing the product when the process is carried on outside the jurisdiction?

Yes. The IP Code states that importing a patented product or a product obtained directly or indirectly from a patented process, or the use of a patented process without the authorisation of the patentee, constitutes patent infringement.

1.12 Does the scope of protection of a patent claim extend to non-literal equivalents?

Yes. The IP Code specifically states that, for the purpose of determining the extent of protection conferred by a patent, due account shall be taken of elements which are equivalent to the elements expressed in the claims, so that a claim shall be considered to cover not only all the elements as expressed therein, but also equivalents.

1.13 Can a defence of patent invalidity be raised, and if so, how? Are there restrictions on such a defence e.g. where there is a pending opposition?

Yes. In an action for infringement, the defendant, in addition to other defences available to him, may show the invalidity of the patent, or any claim thereof, on any of the grounds on which a petition of cancellation can be brought under Sec. 61 of the IP Code.

1.14 Other than lack of novelty and inventive step, what are the grounds for invalidity of a patent?

The other grounds for invalidity are: (i) the patent does not cover a patentable subject matter; (ii) the patent does not disclose the invention in a manner sufficiently clear and complete for it to be carried out by any person skilled in the art; (iii) the patent is contrary to public order or morality; (iv) the patent includes matters outside the scope of the disclosure contained in the application as filed; or (v) the patent was issued to a person not entitled to the same, and the person declared by final court order as having the right to the patent seeks the cancellation of the patent.

1.15 Are infringement proceedings stayed pending resolution of validity in another court or the Patent Office?

Unlike for trademarks where Sec. 151.2 of the IP Code expressly

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provides that the pendency of a petition to cancel a mark before the IPOPHL will not constitute a prejudicial question that must be resolved before an action to enforce the rights to the same registered mark may be decided, there is no such similar provision for patents. This notwithstanding, there is basis to argue that Sec. 151.2 can be applied analogously to patents.

1.16 What other grounds of defence can be raised in addition to non-infringement or invalidity?

Other legal defences include: (i) prescription of the action; and (ii) the defendant having an existing licence. In cases where the infringement case is filed to obtain damages for infringing acts committed by the defendant after the publication of the application in the IPOPHL E-Gazette but before grant of the patent, a possible legal defence would be that the respondent had no actual knowledge, nor received written notice that the invention he was using was a subject matter of a published application.

1.17 Are (i) preliminary, and (ii) final injunctions available, and if so, on what basis in each case? Is there a requirement for a bond?

Yes.

(i) A preliminary injunction may be granted by an RTC at any time after the commencement of the action and before judgment, when it is established that: (a) the plaintiff is entitled to the relief demanded, and the whole or part of such relief consists in restraining the commission or continuance of the acts complained of, or in the performance of an act or acts, either for a limited period or perpetually; (b) the commission or continuance of some act complained of during the litigation or the non-performance thereof would probably do injustice to the plaintiff; or (c) the defendant is doing, threatens, or is about to do, or is procuring or suffering to be done, some act probably in violation of the plaintiff's rights respecting the subject of the action, and tending to render the judgment ineffectual, and only when: (x) the complaint in the action is verified, and shows facts entitling the plaintiff to the relief demanded; and (y) the plaintiff files with the clerk or judge of the court in which the action is pending a bond executed to the party enjoined, in an amount to be fixed by the court, to the effect that the plaintiff will pay to such party all damages which he may sustain by reason of the injunction if the court should finally decide that the plaintiff was not entitled thereto. A preliminary injunction may also be obtained from the BLA based on substantially the same grounds and requirements as mentioned above.

(ii) A permanent (final) injunction would be granted if the plaintiff prevails in the action before the RTC or the BLA. Judgments by the RTC granting an injunction are enforceable after their rendition and are not stayed by an appeal unless otherwise ordered by the trial court. On appeal from the judgment of the RTC, the appellate court at its discretion may order the suspension, modification or restoration of the injunction. The stay of execution shall be upon such terms as to bond or otherwise as may be considered proper for the security or protection of the rights of the adverse party. On the other hand, judgments by the BLA (including those granting a permanent injunction) may, upon motion of the prevailing party with notice to the adverse party or *motu proprio*, and upon filing of an approved bond, be executed even before the expiration of the time to appeal has lapsed, upon good reasons to be stated in the BLA Order. The execution pending appeal may be stayed by the filing of an approved counterbond in an amount to be fixed by the BLA Director.

1.18 On what basis are damages or an account of profits assessed?

The IP Code provides that the patentee is entitled to actual damages, plus attorneys' fees and other expenses of litigation. If the damages are inadequate or cannot be readily ascertained with reasonable certainty, the court may award by way of damages a sum equivalent to reasonable royalty. The court may, according to the circumstances of the case, award damages in a sum above the amount found as actual damages sustained, provided that it does not exceed three times the amount of such actual damages.

1.19 What other form of relief can be obtained for patent infringement? Would the tribunal consider granting cross-border relief?

In addition to damages and injunction, the prevailing plaintiff may also recover from the infringer attorneys' fees and other expenses of litigation. The RTC may also order that the infringing goods, materials and implements predominantly used in the infringement be disposed of outside the channels of commerce or destroyed, without compensation.

The following administrative remedies are available before the BLA: (1) issuance of a cease and desist order; (2) acceptance of a voluntary assurance of compliance or discontinuance as may be imposed; (3) condemnation or seizure of products which are subject of the offence; (4) forfeiture of paraphernalia and all real and personal properties which have been used in the commission of the offence; (5) imposition of administrative fines; (6) cancellation (or suspension of the validity) of any permit, licence, authority, or registration which may have been granted by the IPOPHL; (7) withholding of any permit, licence, authority, or registration being secured from the IPOPHL; (8) assessment of damages; (9) censure; and (10) other analogous penalties or sanctions.

It is not likely that a Philippine tribunal would grant cross-border reliefs considering that patents are territorial rights and thus applicable only in the Philippines, where the patent has been filed and granted in accordance with Philippine laws.

1.20 How common is settlement of infringement proceedings prior to trial?

It is fairly common for parties to pursue settlement discussions prior to proceeding to trial, primarily to avoid the costs and inconvenience of litigation. Moreover, the rules of procedure provide for alternative modes of dispute resolution such as mediation to encourage parties to open discussions for settlement.

1.21 After what period is a claim for patent infringement time-barred?

The patentee cannot recover damages for acts of infringement committed more than four years before the initiation of the action for infringement.

1.22 Is there a right of appeal from a first instance judgment, and if so, is it a right to contest all aspects of the judgment?

Yes. Final orders or decisions of the Regional Trial Court are, as a general rule, appealable to the Court of Appeals. Where only questions of law are raised or involved, the appeal shall be to the Supreme Court.

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Final orders or decisions of the BLA Director may be appealed to the Director General of the IPOPHL. The decision or order of the Director General of the IPOPHL may be appealed to the Court of Appeals.

1.23 What are the typical costs of proceedings to first instance judgment on (i) infringement, and (ii) validity? How much of such costs are recoverable from the losing party?

Depending on varied factors, the costs of filing and prosecuting an infringement action before the RTC range from US$200,000 to US$500,000, while it would cost anywhere from US$100,000 to US$200,000 if filed before the BLA. A simple patent cancellation case before the BLA would cost around US$50,000 to US$150,000.

A prevailing party may be allowed to recover from the infringer damages, attorneys' fees and other expenses of litigation.

1.24 For jurisdictions within the European Union: What steps are being taken in your jurisdiction towards ratifying the Agreement on a Unified Patent Court, implementing the Unitary Patent Regulation (EU Regulation No. 1257/2012) and preparing for the unitary patent package? For jurisdictions outside of the European Union: Are there any mutual recognition of judgments arrangements relating to patents, whether formal or informal, that apply in your jurisdiction?

The Philippines does not have any formal mutual recognition of judgments arrangements relating to patents; however, since the current local patent practice is primarily patterned after the European patent practice, patent grants in the EU are deemed persuasive in influencing prosecution in the corresponding Philippine applications.

2 Patent Amendment

2.1 Can a patent be amended *ex parte* after grant, and if so, how?

Yes, by filing a request for an amendment of a patent with the Bureau of Patents ("BOP") of the IPOPHL.

2.2 Can a patent be amended in *inter partes* revocation/invalidity proceedings?

Yes, if the Committee of Three (composed of the BLA Director and two members who have the experience or expertise in the field of technology to which the patent sought to be cancelled relates), before whom the petition for cancellation is heard, finds that the patent and the invention to which it relates meet the requirements of the IP Code.

2.3 Are there any constraints upon the amendments that may be made?

Yes there are. The patentee can only amend the patent under the following circumstances: (a) to limit the extent of protection conferred by it; (b) to correct obvious mistakes or clerical errors; and (c) to correct mistakes or errors, other than those referred to in letter (b), made in good faith. For amendments that would result in the broadening of the extent of protection conferred by the patent, the request shall be made within two years from the grant of the patent and the change shall not affect the rights of any third party which has relied on the patent, as published. No amendments to the patent shall be permitted where the change would result in the disclosure contained in the patent going beyond the disclosure contained in the original application filed.

3 Licensing

3.1 Are there any laws which limit the terms upon which parties may agree a patent licence?

Yes, the relevant provisions of the IP Code on Voluntary Licensing require that licence agreements must contain none of the prohibited clauses enumerated under Sec. 87 of the IP Code, which are deemed *prima facie* to have an adverse effect on competition and trade, and must include all the mandatory provisions listed in Sec. 88 of the IP Code.

3.2 Can a patent be the subject of a compulsory licence, and if so, how are the terms settled and how common is this type of licence?

Yes. The IPOPHL Director General may grant a licence to exploit a patented invention under certain conditions. The patentee shall be paid adequate remuneration, taking into account the economic value of the grant or authorisation or the need to correct the anti-competitive practice.

In recent years, the grant of a compulsory licence has not been that common.

4 Patent Term Extension

4.1 Can the term of a patent be extended, and if so, (i) on what grounds, and (ii) for how long?

No, the term of a Philippine patent cannot be extended.

5 Patent Prosecution and Opposition

5.1 Are all types of subject matter patentable, and if not, what types are excluded?

Not all types of subject matter are patentable under the IP Code. The following are considered non-patentable: (a) discoveries, scientific theories, mathematical methods, and in the case of drugs and medicines: the mere discovery of a new form or new property of a known substance which does not result in the enhancement of the known efficacy of that substance, or the mere discovery of any new property or new use for a known substance or the mere use of a known process unless such known process results in a new product that employs at least one new reactant; (b) schemes, rules and methods of performing mental acts, playing games or doing business, and programs for computers; (c) methods for treatment of the human or animal body by surgery or therapy and diagnostic methods practised

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on the human or animal body; (d) plant varieties or animal breeds or essentially biological processes for the production of plants or animals; (e) aesthetic creations; and (f) anything which is contrary to public order or morality. For the purposes of subsection (a), salts, esters, ethers, polymorphs, metabolites, pure form, particle size, isomers, mixtures of isomers, complexes, combinations, and other derivatives of a known substance, shall be considered to be the same substance unless they differ significantly in properties with regard to efficacy.

5.2 Is there a duty to the Patent Office to disclose prejudicial prior disclosures or documents? If so, what are the consequences of failure to comply with the duty?

No, there is no such duty.

5.3 May the grant of a patent by the Patent Office be opposed by a third party, and if so, when can this be done?

No. Pre-grant opposition actions are not available in the Philippines. However, any third party may present observations in writing concerning the patentability of the invention any time after the publication of an unexamined application.

5.4 Is there a right of appeal from a decision of the Patent Office, and if so, to whom?

The decision of the IPOPHL Director General may be appealed to the Court of Appeals.

5.5 How are disputes over entitlement to priority and ownership of the invention resolved?

Disputes over entitlement to priority date are usually dealt with *ex parte* by the IPOPHL during the prosecution of the patent application while issues regarding patent ownership are matters left for judicial determination by competent courts.

5.6 Is there a "grace period" in your jurisdiction, and if so, how long is it?

The IPOPHL provides grace periods for the following:

(a) Late payment of the annual fee – a grace period of six months shall be granted for the payment of the annual fee, upon payment of the prescribed surcharge for delayed payment.

(b) Renewal of the term of an industrial design registration – a grace period of six months shall be granted for payment of the renewal fees after such expiration, upon payment of a surcharge.

5.7 What is the term of a patent?

The term of a Philippine patent is 20 years from the actual filing date (for non-PCT applications) or 20 years from the international filing date (for national phase applications of PCT applications).

6 Border Control Measures

6.1 Is there any mechanism for seizing or preventing the importation of infringing products, and if so, how quickly are such measures resolved?

Yes. The Bureau of Customs ("BOC") keeps registry books for patents, trademarks, and copyrights. The Customs Examiners conduct actual examinations of the suspected cargo or shipment and immediately submit a recommendation to the Commissioner of Customs for the issuance of a Warrant of Seizure and Detention against such cargo and shipment. Goods finally found in seizure proceedings to be counterfeit or infringing are forfeited in favour of the government and are destroyed, unless the same is used as evidence in court proceedings.

7 Antitrust Law and Inequitable Conduct

7.1 Can antitrust law be deployed to prevent relief for patent infringement being granted?

Yes, it can.

7.2 What limitations are put on patent licensing due to antitrust law?

See the answer to question 3.1.

8 Current Developments

8.1 What have been the significant developments in relation to patents in the last year?

The Intellectual Property Office of the Philippines ("IPOPHL") in collaboration with the United States Patents and Trademarks Office ("USPTO") have been conducting training/a workshop on the substantive examination in the fields of biotechnology and computer-related inventions ("CRI"). The training/workshop was undertaken to equip Philippine patent examiners with updated knowledge, resources and practices to enable the delivery of quality and timely patents.

8.2 Are there any significant developments expected in the next year?

IPOPHL is exploring the possibility of employing the Cooperative Patent Classification ("CPC") introduced by USPTO. The CPC is a comprehensive patent classification system developed by the USPTO and the European Patent Office ("EPO"), and more patent offices are increasingly applying this system.

8.3 Are there any general practice or enforcement trends that have become apparent in your jurisdiction over the last year or so?

There is an increasing trend towards resolving administrative complaints and disputes brought before the IPOPHL through mediation and amicable settlement. The IPOPHL also appears to be strengthening its capabilities in IP enforcement.

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SyCip Salazar Hernandez & Gatmaitan

SyCip Salazar Hernandez & Gatmaitan ("SyCipLaw") was founded in 1945. It is the largest law firm in the Philippines. Its intellectual property ("IP") practice is the largest in the country in terms of client base and range of services offered. These include basic rights protection, such as trademark, copyright, patent and product registration.

We help clients administer and maintain their property rights on an ongoing basis through established systems and the support of highly-trained staff. We have expertise in licensing, technology transfer and similarly-focused business transactions. We assist our clients in navigating the legal issues and concerns that have arisen with developments in science and technology, e-commerce and Internet-based transactions law, and have the experience and capabilities to continue providing them with responsive and creative support.

Our IP practice has been cited in leading international surveys as a first choice for IPR counselling and as one of the leading IP firms in the Philippines. We are consistently ranked as a Band 1/Tier 1 Firm for our trademark and patent prosecution work, as well as for our trademark, copyright and patent contentious work.

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